

2004 REVENUE LEGISLATION

The following is a summary of the major legislation passed by the 2004 Legislature that relates to taxes collected by the Nebraska Department of Revenue.

SALES AND USE TAX

Sales and Use Tax Exemption

Beginning October 1, 2004, purchases by Intermediate Care Facilities for the Mentally Retarded are exempt from tax. (LB 841)

Agricultural Machinery

Beginning October 1, 2004, sales of qualifying agricultural machinery and equipment no longer require the special documentation, Form 13AG, but may be documented with a regular Form 13. (LB 841)

Telephone, Telegraph, Cable TV, and Mobile Telecommunications Services

The labor involved to install, construct, service, or remove property used in conjunction with these utility services continues to be taxable. Prior to July 1, 2004, the labor was subject to tax as the installation of utility services. Beginning July 1, 2004, the labor is subject to tax as contractor labor. The taxation of the building materials used in providing these services will follow the rules for contractors and will depend on whether the materials are annexed to real estate or remain tangible personal property after installation. (LB 1017)

Contractors

Several changes were made to the rules governing sales tax on contractor labor. These changes became effective on July 1, 2004:

- Contractors will be permitted to sell their contractor labor tax-free to another contractor;
- Option 2 and Option 3 contractors will collect sales tax on a statutorily set percentage of the total sales price for building materials and construction services;

- Sales tax will be reported when the payments for contractor labor are received; and
- Projects involving a tax-exempt major renovation for commercial and industrial building require prior approval from the Department and payment of a \$500 fee. (LB 1017)

INCOME TAX

Statute of Limitation

For statute of limitation purposes, the due date for filing an income tax return is not affected by the granting of an automatic extension for filing the return. Effective July 16, 2004. (LB 955)

Nonhighway Use Motor Fuels

The income tax credit for nonhighway use of motor vehicle fuels has been eliminated and replaced with a direct refund provision. The claim for refund must be filed with the Motor Fuels Division. Operative for tax years ending on and after January 1, 2005. (LB 983)

MISCELLANEOUS

Amnesty

From August 1, 2001 through October 31, 2004, a tax amnesty program will be in effect for all tax programs administered by the Department of Revenue. To be eligible for amnesty, an application must be filed with and accepted by the Department, returns must be filed for each tax period for which amnesty is requested, and payment must be made of all taxes for which amnesty is requested. Interest and penalty will not apply to tax payments made under an approved amnesty application. (LB 1017)

Tax Incentives

Companies receiving benefits under the Ethanol Development Act are excluded from receiving benefits under the Employment and Investment Growth Act and the Invest Nebraska Act. Effective for applications received on or after April 16, 2004. (LB 479)

The definition of taxpayer for the Employment and Investment Growth Act is expanded to include pass-through entities (partnerships, S corporations, limited liability companies or joint ventures) when the partners, shareholders, members, or owners representing at least 90 percent of the ownership of such entity, are subject to sales and income taxes. Effective April 16, 2004. (LB 1065)

Nonresident Contractors

The registration and bonding requirements for nonresident contractors are extended to include

labor brokers providing or arranging for labor on projects in this state. Effective April 16, 2004. (LB 1017)

Homestead Exemption

For applications filed in 2004 and after, the definition of a multiple amputee was changed for certain veterans eligible for exemption. (LB 986)

E S T A T E T A X

The estate tax rates have been changed for decedents dying on or after July 1, 2003. (LB 1034)